RE: Docket No. 04-0140

Dear PUC Commissioners:

My name is Maggie Sun and I'm a longtime resident of Hawaii. I represent several friends, who are also longtime residents that are troubled by this proposed sale.

Today, I come to voice my concern regarding the sale of Hawaiian Telephone or its current name Verizon Hawaii Inc. to an investment company called the Carlyle Investment Group from Washington, D.C.

Last night, we learned on the news that they plan to change the name to Hawaii Telecom, which I feel is only being done to disguise the bad connotation associated with Carlyle. The Carlyle Group is a very controversial group in America, because of its connections to: (1) high political places, (2) Osama Bin Laden, (3) former presidential cabinet officials; not to mention getting favorable defense contracts that other companies don't get; as well as more reasons that I'll be addressing in a moment.

We are not opposing the sale. We are simply opposing the prospective buyer. And we strongly oppose the Carlyle Group's attempt to purchase our telephone company, primarily due to security reasons.

The specific security reasons for our opposition are as follows:

- 1. Although it has other prominent partners, the Carlyle Investment Group is an investment arm of the oil-rich Royal Family of Saudi Arabia, which is its major investment partner. The Royal Family of Saudi Arabia is related to the terrorist Osama Bin Laden, who masterminded and launched the 9/11 attacks on the United States. And Bin Laden used to be an investment partner in the Carlyle Group.
- 2. Although Bin Laden is no longer a partner, this change is seen only on the surface. The Royal Family of Saudi Arabia is a regular financial contributor to Bin Laden's Afghan terrorist group, which the U.S. has been trying to defeat since the 9/11 attack on our country.

For the above reasons alone, we must not allow this group to come to Hawaii to own our one and only utility service — our telephone system. We need to keep our Hawaiian Islands the way they are: as safe as possible from the threat of terrorism.

We need to insulate ourselves from terrorist activities and even terrorist connections. With this in mind, the Carlyle Group is much too controversial a group to be our exclusive telephone provider. According to the Honolulu Advertiser's recent report, after Carlyle buys the phone company, they plan to move some of their operations here to Hawaii. This increases our exposure to terrorism. We must stop this from the start. And so, we must not allow the sale to take place.

Here are some additional economic reasons for our opposition:

- 1. The Carlyle Group's subsidiaries which include United Technologies, United Defense Inc., Composite Structures, Vought Aircraft, and many, many more all stand to make money from the current War on Terrorism.
- 2. According to some sources, since 1986, the Carlyle Group has increasingly accounted for the currently estimated 6-7% of the United States Gross Domestic Product, or GDP. Today, their equity is estimated to reach as high as 874 billion U.S. dollars or more.
- 3. The monopoly nature of Hawaii's telephone service means that the phone company generates virtually every island family's phone bill. How much higher a percentage of our GDP do we want the Carlyle Group to amass each time we pay our phone bills? And how can we be sure that rates won't be increased further? We have had enough already.

For all of the above reasons, we oppose the sale of Verizon Hawaii to the Carlyle Group, no matter what name it decides to use. We are very concerned about our security on the island, not to mention any terrorist activity or connection. We deserve to retain some peace of mind and not cause ourselves to live in fear.

Please do not approve this sale. May we have peace and liberty. Thank you very much for your attention to my testimony.

FRIENDS WHO JOIN ME IN THIS LETTER OF OPPOSITION Warner Roltz Lilly Roltz

BUSH WALL BUSH MONEY

comment | features | today's news |

"[Texas] Observer readers are familiar with much of the ground [Charles] Lewis covers in The Buying of the President 2000 [Avon Press], including accounts of how he:

made \$15 million off the Texas Rangers deal with the help of \$135 million in corporate welfare from Arlington taxpayers;

took \$4.5 million from the business interests clamoring for "tort reform" and rewarded them with laws that make it harder to sue irresponsible businesses; and

invited oil industry executives to develop a do-nothing public relations response to the "grandfathered" air pollution problem in Texas.

The Observer has not yet covered the University of Texas Investment Management Company (UTIMCO) scandal, in which huge sums of money flow back and forth between Bush and his top donors. Tom Hicks (of the Dallas corporate takeover firm Hicks Muse Tate & Furst) made Bush a millionaire fifteen times over by buying the Texas Rangers. Hicks and his brother Steven contributed \$146,000 to Bush's gubernatorial campaigns; Steven is a Bush fundraising "Pioneer," who has raised at least \$100,000 for Bush's presidential race. Tom Hicks long urged U.T. to move part of its \$13 billion endowment into riskier investments. In 1990, for example, he tried to get it to invest in his takeover of Healthco, a dental supply company that went bankrupt three years later. In 1995, the Texas Senate confirmed Tom Hicks as a U.T. regent, just as Bush was moving into the Governor's Mansion. Hicks hired lobbyists to push a bill — signed into law by Bush — that created UTIMCO. With Hicks as its first chair, UTIMCO began to dole out lucrative contracts to private investment firms to manage portions of the endowment. Many of these firms had ties to Hicks and Bush:

"The Carlyle Group. The elder George Bush reportedly has an equity stake in this firm, which is run by leading members of his presidential administration.

Maverick Capital Fund. Its investors include Bush Pioneer Charles Wyly and his brother Sam, who gave \$210,273 to Bush's gubernatorial campaigns.

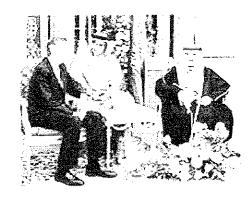
Bass Brothers Enterprises. Bass family interests funneled \$215,000 to Bush and financed a Bahraini drilling contract won by a small oil exploration company where Bush served as a director.

Kohlberg Kravis Roberts. This corporate buyout firm would soon join Hicks, Muse in a \$1.5 billion takeover of Regal Cinemas.

Evercore Partners. Evercore joined Hicks, Muse in a \$900 million buyout of television stations soon after its UTIMCO deal.

American Securities Partners. The company won a UTIMCO contract soon after selling eleven radio stations to Hicks, Muse."

The Bush-Bin Laden Money Connection



"Former President George Bush met with King Fahd, right, on a trip to Saudi Arabia last year as part of his work for the Carlyle Group." (NYT, 3/5/01)

A Second Bush Oil Deal To Come With Murky Ties To Saudi Financiers And Osama Bin Laden

"On September 24, President George W. Bush appeared at a press conference in the White House Rose Garden to announce a crackdown on the financial networks of terrorists and those who support them. "U.S. banks that have assets of these groups or individuals must freeze their accounts," Bush declared. "And U.S. citizens or businesses are prohibited from doing business with them."

"But the president, who is now enjoying an astounding 92 percent approval rating, hasn't always practiced what he is now preaching: Bush's own businesses were once tied to financial figures in Saudi Arabia who currently support bin Laden.

"In 1979, Bush's first business, Arbusto Energy, obtained financing from James Bath, a Houstonian and close family friend. One of many investors, Bath gave Bush \$50,000 for a 5 percent stake in Arbusto. At the time, Bath was the sole U.S. business representative for Salem bin Laden, head of the wealthy Saudi Arabian family and a brother (one of 17) to Osama bin Laden. It has long been suspected, but never proven, that the Arbusto money came directly from Salem bin Laden. In a statement issued shortly after the September 11 attacks, the White House vehemently denied the connection, insisting that Bath invested his own money, not Salem bin Laden's, in Arbusto.

"In conflicting statements, Bush at first denied ever knowing Bath, then acknowledged his stake in Arbusto and that he was aware Bath represented Saudi interests. In fact, Bath has extensive ties, both to the bin Laden family and major players in the scandal-ridden Bank of Commerce and Credit International (BCCI) who have gone on to fund Osama bin Laden. BCCI defrauded depositors of \$10 billion in the '80s in what has been called the "largest bank fraud in world financial history" by former Manhattan District Attorney Robert Morgenthau. During the '80s, BCCI also acted as a main conduit for laundering money intended for clandestine CIA activities, ranging from financial support to the Afghan mujahedin to paying intermediaries in the Iran-Contra affair.

"When Salem bin Laden died in 1988, powerful Saudi Arabian banker and BCCI principal Khalid bin Mahfouz inherited his interests in Houston. Bath ran a business for bin Mahfouz in Houston and joined a partnership with bin Mahfouz and Gaith Pharaon, BCCI's frontman in Houston's Main Bank.

"The Arbusto deal wasn't the last time Bush looked to highly questionable sources to invest in his oil dealings. After several incarnations, Arbusto emerged in 1986 as Harken Energy Corporation. When Harken ran into trouble a year later, Saudi Sheik Abdullah Taha Bakhsh purchased a 17.6 percent stake in the company. Bakhsh was a business partner with Pharaon in Saudi Arabia; his banker there just happened to be bin Mahfouz.

"Though Bush told the Wall Street Journal he had "no idea" BCCI was involved in Harken's financial dealings,

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the network of connections between Bush and BCCI is so extensive that the Journal concluded their investigation of the matter in 1991 by stating: "The number of BCCI-connected people who had dealings with Harken—all since George W. Bush came on board—raises the question of whether they mask an effort to cozy up to a presidential son." Or even the president: Bath finally came under investigation by the FBI in 1992 for his Saudi business relationships, accused of funneling Saudi money through Houston in order to influence the foreign policies of the Reagan and first Bush administrations.

"Worst of all, bin Mahfouz allegedly has been financing the bin Laden terrorist network—making Bush a U.S. citizen who has done business with those who finance and support terrorists. According to USA Today, bin Mahfouz and other Saudis attempted to transfer \$3 million to various bin Laden front operations in Saudi Arabia in 1999. ABC News reported the same year that Saudi officials stopped bin Mahfouz from contributing money directly to bin Laden. (Bin Mahfouz's sister is also a wife of Osama bin Laden, a fact that former CIA Director James Woolsey revealed in 1998 Senate testimony.)

"When President Bush announced he is hot on the trail of the money used over the years to finance terrorism, he must realize that trail ultimately leads not only to Saudi Arabia, but to some of the same financiers who originally helped propel him into the oil business and later the White House. The ties between bin Laden and the White House may be much closer than he is willing to acknowledge." —Wayne Madsen, 10/22/01

Wayne Madsen, an investigative journalist based in Washington, is the author of Genocide and Covert Operations in Africa 1993-1999.

Part One: "Hike in US defence spending to benefit Osama's family": Bin Laden-Bush business connection seen through Carlyle Group

"If the United States boosts defence spending in its quest to stop Saudi dissident Osama bin Laden's alleged terrorist activities, his family may be the unexpected beneficiary of that, media reports said. "Among its farflung business interests, the well-heeled Saudi Arabian clan, which says it is estranged from Laden, is an investor in a fund established by Carlyle Group, a well-connected Washington merchant bank specialising in buyouts of defence and aerospace companies," The Wall Street Journal said in an investigative dispatch. It said "through this investment and its ties to Saudi royalty, the bin Laden family has become acquainted with some of the biggest names in the Republican Party." "In recent years, former president George H W Bush, ex-secretary of state James Baker and ex-secretary of defence Frank Carlucci have made the pilgrimage to the bin Laden family's headquarters in Jeddah (Saudi Arabia). "Ex-president Bush makes speeches on behalf of Carlyle Group and is senior adviser to its Asian Partners Fund, while Baker is its senior counsellor and Carlucci is the group's chairman," the journal said." —Hindustani Times, 9/28/01

Part Two: Inside The Carlyle Group

With former US Defense Secretary Frank Carlucci as its chairman, it's no surprise that The Carlyle Group is drawn to defense. Defense and aerospace firms such as United Defense Industries make up a significant share of the world's largest private equity firm's portfolio. Also represented are information technology (Federal Data), health care, real estate, and bottling companies. Since Carlucci joined in 1989, a host of staffers from the Reagan and first Bush administrations have stinted at the company, including ex-Secretary of State James Baker and ex-budget chief Richard Darman. Former President Bush and former UK Prime Minister John Major have also made appearances. --Hoovers Online

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to further their business interests as representatives of the Carlyle Group, a \$12 billion private equity firm based in Washington that has parlayed a roster of former top-level government officials, largely from the Bush and Reagan administrations, into a moneymaking machine. In a new spin on Washington's revolving door between business and government, where lobbying by former officials is restricted but soliciting investments is not, Carlyle has upped the ante and taken the practice global. Mr. Bush and Mr. Baker were accompanied on their trips by former Prime Minister John Major of Britain, another of Carlyle's political stars. With dooropeners of this caliber, along with shrewd investment skills, Carlyle has gone from an unknown in the world of private equity to one of its biggest players. Private equity, which involves buying up companies in private deals and reselling them, is a high-end business open only to the very rich. Over the last decade, the Carlyle empire has grown to span three continents and include investments in most corners of the world. It owns so many companies that it is now in effect one of the nation's biggest defense contractors and a force in global telecommunications. Its blue-chip investors include major banks and insurance companies, billion-dollar pension funds and wealthy investors from Abu Dhabi to Singapore. In getting business for Carlyle, Mr. Bush has been impressive. His meeting with the crown prince was followed by a yacht cruise and private dinners with Saudi businessmen. And Mr. Bush led Carlyle's successful entry into South Korea, the fastest-growing economy in Asia. After his meetings with the prime minister and other government and business leaders, Carlyle won a tough competition for control of KorAm, one of Korea's few healthy banks. The steady flow of politicians to lucrative private-sector jobs based on their government contacts is a familiar Washington tale. But in this case, it is being played out for more dollars, on a global stage, and in the world of private finance, where the minimal government rules prohibiting lobbying by former officials for a given period are not a factor. These rules say nothing about potential conflicts when former government officials use their connections and insights for financial gain, and they may attract more notice now that George W. Bush is president. Many of those involved with Carlyle, which invests largely in companies that do business with the government or are affected by government regulations, have ties to the Oval Office.

For instance, Frank C. Carlucci, a Reagan secretary of defense who as much as anyone is responsible for Carlyle's success, said he met in February with his old college classmate Donald H. Rumsfeld, the secretary of defense, and Vice President Dick Cheney, himself a defense secretary under former President Bush, to talk about military matters — at a time when Carlyle has several billion-dollar defense projects under consideration... "Carlyle is as deeply wired into the current administration as they can possibly be," said Charles Lewis, executive director of the Center for Public Integrity, a nonprofit public interest group based in Washington. "George Bush is getting money from private interests that have business before the government, while his son is president. And, in a really peculiar way, George W. Bush could, some day, benefit financially from his own administration's decisions, through his father's investments. The average American doesn't know that and, to me, that's a jaw-dropper."

It is difficult to determine exactly how much money the senior Mr. Bush and Mr. Baker have made. Mr. Baker is a Carlyle partner, and Mr. Bush has the title senior adviser to its Asian activities. With a current market value of about \$3.5 billion on Carlyle's equity and with the firm owned by 18 partners and one outside investor, Mr. Baker's Carlyle stake would be worth about \$180 million if each partner held an equal stake. It is not known whether he has more or less than the other partners. Unlike Mr. Baker, Mr. Bush has no ownership stake in Carlyle; he is an adviser and an investor and is compensated by obtaining stakes in Carlyle investments. Carlyle executives cited, for example, Mr. Bush's being allowed to put money he earns giving speeches for Carlyle into its investment funds. Mr. Bush generally receives \$80,000 to \$100,000 for a speech. He sits on no corporate boards other than Carlyle's. Carlyle also gave the Bush family a hand in 1990 by putting George W. Bush, who was then struggling to find a career, on the board of a Carlyle subsidiary, Caterair, an airline-catering company....

With \$12 billion from investors, Carlyle claims to be the nation's largest private equity fund and makes money by investing in undervalued companies and reselling at a profit.... The California state pension fund invested \$305 million with Carlyle, and the Texas teachers pension fund — whose board was appointed when George W. Bush was governor — gave Carlyle \$100 million to invest in November. Carlyle also works as a financial adviser to the Saudi government....Carlyle has done well for its investors, returning an average of 34 percent a year over

the last decade, in line with other private equity funds. It has done this by buying what it knows bestcompanies that are regulated by the government. Nearly two-thirds of its investments are in defense and telecommunications companies, which are affected by shifts in government spending and policy. ... Carlyle has become the nation's 11th largest defense contractor, owning companies that make tanks, aircraft wings and a broad array of other military equipment. It also owns health care companies, real estate, Internet companies, a bottling company and even Le Figaro, the French newspaper.... And its access extends well beyond American shores. In Europe, Carlyle has assembled an advisory board that besides Mr. Major includes Karl Otto Pöhl, former president of German's Bundesbank, and the past or present chairmen of B.M.W., Hoffman-LaRoche, Nestlé, LVMH-Moët Hennessy, Louis Vuitton and Aerospatiale, the French Airbus partner. Carlyle's Asia advisory board, which helps raise money and finds and reviews deals, includes former President Fidel V. Ramos of the Philippines, the former prime minister of Thailand and the executive director of the Abu Dhabi Investment Authority. The former South Korean prime minister Park Tae Joon was also an adviser to Carlyle.... In an office adorned with photographs of Mr. Carlucci and the politically mighty — he sits beneath an Oval Office picture of himself and Mr. Reagan - Mr. Carlucci makes it clear that his extensive government and global ties are as fresh as ever. "I know Rumsfeld extremely well," Mr. Carlucci said in an interview. "We've been close friends throughout the years. We were college classmates."...<u>NYT</u>, 3/5/01

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Part Three: Ex-Prez Bush's Financial Ties With Defense Contractors Leads To Call For Resignation

Judicial Watch, the public interest law firm that investigates and prosecutes government corruption and abuse, reacted with disbelief to The Wall Street Journal report of yesterday that George H.W. Bush, the father of President Bush, works for the bin Laden family business in Saudi Arabia through the Carlyle Group, an international consulting firm. The senior Bush had met with the bin Laden family at least twice. (Other top Republicans are also associated with the Carlyle group, such as former Secretary of State James A. Baker.) The terrorist leader Osama bin Laden had supposedly been "disowned" by his family, which runs a multi-billion dollar business in Saudi Arabia and is a major investor in the senior Bush's firm. Other reports have questioned, though, whether members of his Saudi family have truly cut off Osama bin Laden. Indeed, the Journal also reported yesterday that the FBI has subpoenaed the bin Laden family business's bank records. Judicial Watch earlier this year had strongly criticized President Bush's father's association with the Carlyle Group, pointing out in a March 5 statement that it was a "conflict of interest (which) could cause problems for America's foreign policy in Middle East and Asia." Judicial Watch called for the senior Bush to resign from the firm then. "This conflict of interest has now turned into a scandal. The idea of the President's father, an expresident himself, doing business with a company under investigation by the FBI in the terror attacks of September 11 is horrible. President Bush should not ask, but demand, that his father pull out of the Carlyle Group," stated Judicial Watch Chairman and General Counsel Larry Klayman - Judicial Watch, 9/28/01

Part Four: Why Did Bush Withdraw From Treaty Talks On Cleaning Up Money Laundering?

"Just a few weeks ago, the Bush administration — another group well-watered by the murky flow of offshore capital — announced its withdrawal from international treaty talks on cleaning up the money-laundering swamp. Why on earth did they oppose this strike against terrorism and organized crime? Let's ask Joseph Stiglitz, former chief economist of the World Bank — no "left-wing fifth columnist" he: "The answer is, it's in the interests of some of the monied interests to allow this to occur," he told The Nation in June. "It's not an accident; it could have been shut down at any time."

"And this week, the Bush administration finally reversed the long-standing conservative appearement of wealthy murderers, at least in part, by freezing the financial assets of Bin Laden and his associates and

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threatening to, er, bar any foreign countries and banks from U.S. financial markets if they didn't cooperate with investigators. Of course, it took them 13 days to get around to blocking the cash flow of their "prime suspect" -but maybe some of their comfortably entwined High Finance pals needed time to get untangled before the freeze. Oh well, better late than never, right?" - Chris Floyd, 9/28/01

Part Five: Daddy Bush's Campaign Manager (Nixon's "Jew-Counter") Has Carlyle Connections

"Fred Malek received his 15 minutes of fame in the 1970s as deputy director of CREEP (Committee to Re-elect the President), the Nixon White House operation behind Watergate. Unlike many of his former associates, Malek walked—but not out of Washington. After lying low for a time, he made his political comeback as a leader in the Republican Party in the late 1980s, only to resign as deputy chairman of the Republican National Committee in 1988 when an ugly incident from his past came to light: At Nixon's behest, he had drawn up a list of Jews in the Bureau of Labor Statistics, where Nixon thought a "Jewish cabal" was out to get him. Nonetheless, Malek rebounded yet again in 1992 as campaign manager for the Bush/Quayle ticket. —MOJO.

A Continuation Of Part Two..."Can it be true that Bush and Major hire themselves out as props, without realizing what Carlyle deals they might be abetting? To schmooze without being aware of the end results? In any event, they did not have to explain their presence in Saudi Arabia, for both had been invited to speak at an economic forum in Jeddah. Bush and Major were also received by King Fahd. "But for part of the time they were just with us," says the Carlyle source. According to two sources familiar with the mission, Carlyle executives were focusing on the telephone system deal. In 1998 the Saudi government announced it was privatizing the kingdom's phone service, and the Saudis have been seeking foreign investors. Several companies from around the world have expressed interest. SBC has been looking at this potential deal for about a year and brought in well-wired Carlyle as a partner.

"It might not trouble the (supposedly) unknowing Bush that he is aiding SBC, a Texas-based company run by executives who have contributed nearly \$50,000 to George W. Bush's gubernatorial and presidential campaigns. Governor Bush's administration has also been supportive of SBC, which spends more on lobbying in Texas than any other corporation (at least \$5 million in 1999). In December the Texas Public Utilities Commission, comprising three Bush appointees, approved SBC's highly controversial request to enter the long-distance market in that state. Critics of SBC complained that the company had not opened up the local market as it had promised, and after the PUC granted its OK, the Justice Department, citing SBC's anticompetitive ways, urged the Federal Communications Commission to reject the company's long-distance application. (By the way, SBC once donated \$400,000 to a reading initiative promoted by Govenor Bush.)...

"It's pretty obvious," says one person with knowledge of the trip. "Carlyle wanted to open up doors, and they bring in Bush and Major, who saved the Saudis' ass in the Gulf War. If you got these guys coming in for SBC or any other company, those companies are going to have a pretty good chance." The Carlyle connection runs in the family. In 1990, a year after Carlyle acquired Caterair, a large airline-catering firm, Fred Malek. a longtime Bush associate [and elsewhere described as an advisor to Carlyle], helped place George W. on the board of Caterair. And this past fall the Bush campaign received a scare when one of its lead fundraisers, GOP lobbyist Wayne Berman, was implicated in a scandal involving Carlyle. On September 23 former Connecticut State Treasurer Paul Silvester pleaded guilty to federal racketeering charges regarding his handling of state pension funds. Berman pocketed about \$1 million from Carlyle for helping the firm win \$100 million in pension investments from Silvester. Shortly before Silvester left office in early 1999, Berman allegedly promised him a job while angling for another \$50 million investment in a Carlyle fund. Berman then hired Silvester for a position in the consulting firm he operates with former Senator Alfonse D'Amato. After Berman's role in the affair became public, the Bush campaign announced that Berman, who had worked in the Bush Administration, was no longer fundraising for George W. Carlyle has been good to the Bushes. But if the Berman-Carlyle scandal spreads, it may draw more attention to the back-scratching, deal-making financial-political world in which the Bush family and their friends have flourished. That won't be good for the son of Carlyle's most famous meet-and-greeter." - David Corn, The Nation, 3/27/00

more at <u>BUSH-BIN LADEN</u>



Dick Cheney and the Self-Licking Ice Cream Cone

The Carlyle Group: Crony Capitalism without Borders

excerpted from the book

How Much Are You Making On The War Daddy?

A Quick and Dirty Guide to War Profiteering in the Bush Administration

by William D. Hartung

Nation Books, 2003, paper

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This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence-economic, political, even spiritual-is felt in every city, every State house, every office of the Federal government ...

In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for the disastrous rise of misplaced power exists and will persist

We must never let the weight of this combination endanger our liberties or democratic

processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together.

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President Dwight D. Eisenhower, in a televised Farewell Address to the Nation, January 17, 1961

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It is simply not possible to have a multi-billion-dollar, multi-year tax cut, a Pentagon budget that will top \$500 billion by the end of this decade, a seemingly endless string of wars for "regime change" that are paid for through emergency appropriations over and above the Pentagon's massive annual spending, plus massive new expenditures for intelligence and homeland security, and still expect the government to meet its traditional responsibilities in the areas of education, income security, transportation, health care, housing, environmental protection, and energy development.

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... when 50 percent of Americans don't even bother to vote, when most Americans get their news from the "shouting heads" and slick sound bites they hear on TV news, it's an open question whether the American public can rise to the occasion to restore and revive American democracy from the deep wounds suffered in November and December of 2000 ...

Dick Cheney and the Self-Licking Ice Cream Cone

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The revolving door between the government and weapons contractors isn't new, but it has eached new heights (monetarily) and depths (ethically), in recent years.[Richard] Cheney's elationship with Halliburton is a perfect case study of all that is wrong with the relationship setween our democratic form of government and the corporations that finance our elections and feed at the government trough on a daily basis.

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lalliburton's biggest "cash cow" during his [Cheney's] tenure was definitely in the area of nilitary support services, and the company's ability to earn so much in this area was directly ied to a decision Cheney had made back when he was secretary of defense in the first Bush dministration. It was under Cheney's watch that the decision was made to privatize not only pecific services in support of U.S. troops overseas-such as food services, or doing the laundry, r repairing vehicles-but to privatize the actual planning process that went into providing ogistics for U.S. troops when they had to be sent into an inhospitable foreign hot spot on short otice.

n 1992, near the end of Cheney's tenure as defense secretary, Halliburton won a contract from he U.S. Army's Logistics Civil Augmentation Program (LOGCAP), which P.W. Singer has escribed as a deal to "work with the military in planning the logistical side of contingency perations." Singer notes that "it was the first time the U.S. military had ever contracted such lobal planning to a private organization." In a pattern that would mark both Halliburton's and heney's business paths, the firm got the LOGCAP contract after conducting a top secret \$3.9

million report for the Pentagon on how private companies could essentially provide the bulk of the logistics involved in major U.S. contingency deployments, from transportation and base-building to cooking the food and doing the laundry. The initial study contract called for a plan for how a private company could bear the bulk of the logistical burden for deploying 20,000 troops to 5 separate bases overseas within a 1 80-day period. Later in the year, Halliburton got a \$5 million follow-on study contract to outline how a private firm might supply logistics for a series of more specific contingencies. By the end of the year, Halliburton had been selected to receive a five-year contract to be the U.S. Army's "on call" private logistics arm.

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The work started almost immediately. Halliburton was called upon to provide support services for U.S. forces deployed to Somalia as part of "Operation Restore Hope," an operation that began at the end of the Bush administration and carried over into the first Clinton term. As Singer notes, "Brown and Root employees arrived in Mogadishu just 24 hours after the first U.S. troops arrived and stayed until the final withdrawal in March 1995, when its employees left with the last U.S. marines." The company did everything from hiring local women to hand wash Army laundry to importing "a mortician to clean up the bodies of killed UN peacekeepers before shipping them out of the country." Singer notes that for a good portion of its time in country, Halliburton was "the largest employer in Somalia, with some 2,500 local employees."

The Somalia operation led to additional, more limited work on behalf of smaller U.S. deployments to Rwanda and Haiti. But the big payoff came in the Balkans, where Halliburton's Brown and Root Services unit started out supplying logistical support for Operation Deny Flight, the United Nations-mandated no-fly zone in Bosnia, and ended up building and operating bases and refugee camps in Croatia, Bosnia, and, most lucratively of all, in KOSOVO. The firm's Balkan adventures started during the same year that Cheney took over as CEO of the company, and accounted for a good deal of the company's growth on the military side of its operations during his five-year tenure at the head of the firm.

The Army contract to provide logistical support for 20,000 U.S. troops deployed as part of the NATO IFOR forces in Bosnia came in at a cool \$546 million, and it resulted in Halliburton doing work on behalf of U.S. and allied forces in Hungary, Bosnia, and Croatia. Just as it seemed that Halliburton had struck pure gold, there was a setback in 1997 when the company lost in its bid to renew its overall LOGCAP contract with the Army to a competitor, DynCorp, who had underbid them for the next round of work. But the sting was taken out of the loss when the Army decided to remove the Balkans work from the larger LOGCAP contract, allowing Halliburton to go full speed ahead on its lucrative support operations there.

The Bosnia work set the stage for an even bigger role for Halliburton in Kosovo, where the company was involved in everything from building make-shift refugee quarters to building two major Army bases from scratch. The company's contract for its first year in Kosovo alone ballooned from the base level fee of \$180 million to \$1 billion. During its first three months in Kosovo alone, Singer reports that the company did the following: "built 192 barracks . . . thirteen helipads, two aviation-maintenance facilities, twelve mess-kitchen dining facilities, two large base dining facilities, and 37 temporary bathing facilities," even as it was delivering over I million meals, providing more than 55 million gallons of water, supplying over 383,000 gallons of diesel fuel, collecting over 89,000 cubic meters of trash, and loading and off-loading over 4,200 containers with needed supplies.

Halliburton's growth under Cheney's leadership is nothing compared to what it has done since

he became vice president. In 2001, it won back the Army's LOGCAP contract, just in time to cash in on the logistical bonanza involved in providing facilities and provisions for U.S. troops in Afghanistan, Uzbekistan, Qatar, Kuwait, Iraq, and all the other far-flung outposts of the Bush administration's war on terrorism. The company is also in charge of making the cages used to house Taliban members and terror suspects at Guantanamo Bay, Cuba. A late August 2003 analysis in the Washington Post estimated that Halliburton had raked in \$1.7 billion in military contracts in Iraq, Afghanistan, and beyond since the start of the Bush administration.

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The company's biggest prize-which it was awarded on a no-bid basis by the Army Corps of Engineers after Halliburton officials had helped the Defense Department write the specs for the contract-was an open-ended, two year contract worth up to \$7 billion for putting out oil fires and repairing oil infrastructure in Iraq.

It was only after dogged questioning from Rep. Henry Waxman that it was revealed that the no-bid Halliburton contract was not merely for putting out oil fires, but for rebuilding and operating Iraq's extensive oil infrastructure.

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Halliburton has been quick to show its gratitude to its Republican friends, earmarking 95 percent of its more than \$708,000 in campaign donations from 1999 to 2002 to Republican candidates. And there's plenty more where that came from, heading straight for the Bush/Cheney 2004 campaign and the campaigns of their former CEO's Republican colleagues in the House and Senate.

The Carlyle Group: Crony Capitalism without Borders

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The Carlyle Group is the most politically connected investment firm in the world. The company has mastered the art of influence peddling on a global scale, hiring executives and consultants ranging from Republican power broker James Baker and former president George Herbert Walker Bush to foreign leaders like former British prime minister John Major and former Philippine president Fidel Ramos.

Carlyle's CEO, Frank Carlucci, served as secretary of defense and head of the National Security Council under Ronald Reagan and was Rumsfeld's college roommate at Princeton. His special relationship with Rumsfeld puts him in a perfect position to size up U.S. defense policies and programs for purposes of crafting Carlyle's investment strategy. There is circumstantial evidence to suggest that Rumsfeld has helped out his old college friend by giving him a headsup on the likely status of the Crusader artillery system, a major multi-billion dollar project which prior to its cancellation in the spring of 2002 was the most lucrative project at United Defense, a major weapons maker owned by Carlyle.

The President's father, George Herbert Walker Bush, is on retainer to Carlyle, using his reputation and contacts as ex-president to help the firm recruit new investors in the Middle East, Asia, and beyond. He holds meetings with Saudi potentates, makes speeches or plays golf

with potential investors in South Korea, and so forth. Press reports indicate that he may receive \$100,000 or more a pop for every speech he gives on Carlyle's behalf. "Bush 41" is engaged in Influence Peddling 101, except instead of lobbying the U.S. government to help a specific company or land a specific contract, Carlyle uses its accumulated connections to garner inside information that enables them to "play the market" for defense and security companies. Without its ability to give investors the impression that it has inside dope on the direction of U.S. government policy that no other firm can get, there would be no rationale for the Carlyle Group to exist.

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James Baker, whose leadership of the Republican recount effort in Florida in November and December of 2000 paved the way for George W. Bush's selection as president, is a senior counselor with the Carlyle Group. According to Dan Briody's excellent profile of Carlyle, The Iron Triangle, it was Baker's addition to the firm in March of 1993 that catapulted it into the top ranks of global investment firms. His political connections, developed during his years as secretary of commerce, secretary of state, and White House chief of staff in the administrations of Ronald Reagan and George H. W. Bush, are unparalleled among his colleagues in the global investment field. Executives like Baker are like gold to a company like Carlyle, which depends on major members of the global political and economic elites to steer business their way. Like Dick Cheney, Baker can parlay the connections he made in Saudi Arabia and other oil-rich Persian Gulf states during the 1991 Gulf War into contracts and investments from a motley array of wealthy sheiks, bankers, and potentates in the region. But instead of shaking them down for contracts to build up their oil facilities, as Cheney and Halliburton have done, Carlyle's key Republican front man tries to persuade his Middle Eastern counterparts to put money into one of the firm's investment funds. In that sense Baker and his colleagues at Carlyle are "confidence men," wooing potential investors with the promise that Carlyle has inside governmental information that can guide them toward rich returns.

Other individuals on Carlyle's team of politically connected advisors are former British prime minister John Major, former Philippines president Fidel Ramos, former South Korean prime minister Park Taejoon, and former Thai prime minister Anand Panyarachun.

The true story behind Carlyle's ever expanding empire is complex, although not as sinister as some accounts imply. The principals in Carlyle-Frank Carlucci, James Baker, George H. W. Bush-are by and large moderate internationalists who differ in policy and ideology from neocons like Frank Gaffney and Paul Wolfowitz. (This may be one case in which corporate influence might actually have a moderating effect on the administration of George W. Bush, for the simple reason that global businessmen often take a more sophisticated view of international politics than ideologues of the Frank Gaffney school do. James Baker is no Richard Perle.) H. W. Bush's association with Carlyle drew international attention in the aftermath of September 11 when it was revealed that the construction company owned by Osama bin Laden's family, the Saudi Bin Ladin Group, was an investor in the Carlyle Group. Furthermore, Bush may have been involved in convincing the Saudi conglomerate to place its funds with Carlyle. On September 11, 2001,

Carlyle was in the midst of its annual investors conference at the Ritz-Carlton Hotel in

Washington, D.C. At that same meeting, alongside James Baker, Frank Carlucci, and other members in good standing of the world's economic and political elite, was Osama Bin Laden's half-brother, Shafiq Bin Laden. He was there to keep an eye on the Saudi Bin Ladin Group's investment in one of Carlyle's global funds.

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On September 27, 2001, the Wall Street Journal brought George Herbert Walker Bush's Carlyle connection into the international media spotlight. In an article entitled, "Bin Laden Family is Tied to U.S. Group," Daniel Golden, James Bandler, and Marcus Walker reported that "If the U.S. boosts defense spending in its quest to stop Osama Bin Laden's alleged terrorist activities, there may be one unexpected beneficiary Mr. Bin Laden's family." They noted that the Saudi Bin Ladin group had invested at least \$2 million, and possibly much more, with the Carlyle Group, and it quoted an executive's assertion that the Bin Laden family business was in line to receive a 40 percent rate of return on its investment. It also made clear that George H. W. Bush had met with Bin Laden family members in Saudi Arabia at least twice on Carlyle business, once in 1998 and once in 2000.

The issue at hand in the Bin Ladin Group/Carlyle connection was not whether the President's father was somehow in league with Osama Bin Laden. The Bin Laden family has long since disowned their errant brother. As Charles Freeman, a former U.S. ambassador to Saudi Arabia whose organization, the Middle East Policy Council, receives funding from Bin Laden family members, put it, "They're the establishment that Osama is trying to overthrow." This view was shared by former President Jimmy Carter, who met with ten of Osama's brothers in Saudi Arabia in early 2000 and eventually raised \$200,000 from Bin Laden family members for the activities of the Carter Center, his Atlanta-based research and public education organization. But a Bush-Bin Laden business link-even if it was with the "good" Bin Ladens-was more than public opinion would bear. By late October 2001, the Carlyle Group and the Saudi Bin Ladin Group had severed their financial ties. A Carlyle official familiar with the decision told the Wall Street Journal that it was driven by "questioning from outside the company about any chance of [the Bin Laden family] profiting because of investments that are going to increase in value because of the war on terrorism. For Carlyle, cutting its ties to the Bin Laden family was a public relations move, not a change of policy or principles. As one Carlyle executive put it when the Bush-Bin Laden link was first revealed, "The situation's changed now. I don't want to spend my life talking to reporters.

Bush the elder has little to say about his Carlyle connection, just as he maintains a carefully controlled silence about what kind of advice he gives his son. But it is precisely this special relationship between Bush 41 and Bush 43 that raises the most troub]ing questions about Bush senior's position with Carlyle. As Dan Briody notes in The Iron Triangle, George H. W. Bush still has access to regular CIA briefings on the state of the world. Although he claims that he doesn't share the details of these briefings with his cronies at Carlyle, the very fact that he has this privileged information means he can steer Carlyle toward certain opportunities, or away from certain companies, based on his special access to classified U.S. government intelligence assessments of key countries, regions, and global trends.

When Dick Cheney was attacked for his revolving door relationship with Halliburton, he hit back at his critics, claiming that his rise to riches as the CEO of an arms and energy conglomerate was "the quintessential American success story." And when former Defense Policy Board chairman Richard Perle was caught not once, not twice, but three times with his hands in the cookie jar, using his governmental position to solicit private contracts and

investments for his very own Carlyle-style investment group, Trireme, he viciously attacked the journalists who pointed out his conflicts of interest and wrote a lengthy self-justification in the Wall Street Journal, arguing that if you want advice from folks who know something about defense, you need to tap people with ties to the defense industry.

While the Carlyle-Bush-Baker-Carlucci-Rumsfeld connections are troubling enough in their own right, they look even worse when you consider how many different ways Carlyle is profiting from the war on terrorism. Speaking in particular about Carlucci and his three main partners at Carlyle, Dan Briody has observed that "It is not an exaggeration to say that September 11 was going to make them very, very rich men."

George W. Bush also had a connection to the company prior to becoming president. Back in 1990, Carlyle operative Fred Malek brokered Carlyle's purchase of Caterair, a catering outfit that serviced major airlines. One of the people Malek recruited to serve on the Caterair board was George W. Bush. In effect, young Dubya was "Carlyle's man at Caterair." Carlyle's investment in Caterair did not go well, but the precedent of Carlyle reaching out and hiring a member of a sitting president's family had been established.

Currently the company's best-known arms industry investment is United Defense, a joint venture of the FMC and Harsco corporations that specializes in providing armored vehicles and howitzers to the Pentagon. Until recently, United Defense's big "program of the future" was the Crusader artillery system, a complex, heavy-duty long-range howitzer that was being developed as the U.S. Army's next generation artillery piece. To Donald Rumsfeld's credit, he canceled the project in the spring of 2002 in response to concerns that the Crusader was too bulky to be airlifted to distant combat zones in the U.S. military's existing transport planes. He did so over the objections of his old friend Frank Carlucci and the Carlyle Group, not to mention protests from the top brass of the U.S. Army and key elected officials like Rep. J.C. Watts (R-OK), who was looking forward to having a Crusader assembly facility set up in his congressional district.

The question is, did Donald Rumsfeld give his old friend a heads up so he could milk the Crusader for all it was worth prior to the cancellation? He's not telling. A Pentagon spokesperson claimed that anyone who would even suggest improper collusion "doesn't know Donald Rumsfeld and Frank Carlucci."

Carlyle's handling of its United Defense investment is certainly consistent with the idea of Rumsfeld tipping Carlucci off in advance. Carlyle took United Defense public in December of 2001-less than six months from the time the company's biggest program was canceled-and raised \$237 million. If Rumsfeld had canceled the Crusader in the spring of 2001 instead of the spring of 2002, United Defense would not have been nearly so attractive an investment for nascent shareholders, and Carlyle probably would have netted much less on its stock offering. As Walter Pincus of the Washington Post pointed out, even before the public stock offering Carlyle took out a loan of \$600 million to refinance a portion of the original purchase price that it plunked down to buy United Defense, and promptly distributed \$387 million of the borrowed funds to executives and shareholders in the form of bonuses and dividends. Pincus also noted that United Defense would be in line for a big fat cancellation fee from the Pentagon in association with the termination of the Crusader. United Defense would also have an inside track on the new artillery system that the Army is planning to build to replace the Crusader.

As this went to press, Carlyle announced that it was planning to "cash out" of United Defense, selling its remaining 20 percent stake in the firm for somewhere in the area of \$300 million. The firm will have made back its initial investment many times over.

United Defense is far from being Carlyle's only major holding in the defense and security sector. Other Carlyle investments that are yielding handsome profits from the war on terrorism include USIS, a former federal agency (which has since been privatized) that specializes in vetting personnel for positions in sensitive, security-related jobs. Since the September 11 attacks, USIS's 3,600 employees are doing a booming business in background checks on potential employees for the Pentagon, U.S. intelligence agencies, the Department of Homeland Security, and the commercial airlines.

EG&G, a 4,500 employee company specializing in weapons testing, maintenance, and support services, was a part of the Carlyle family of companies until August of 2002, when the firm sold it to the San Francisco-based engineering conglomerate URS corporation for \$675 million. Carlyle's ability to buy a firm like EG&G and then "flip" it a few years later at a profit greatly enhances its ability to profit from U.S. military and security policies by "riding the wave" of government procurement and research priorities, using its roster of influential former government officials to garner the inside information needed to know when to "pull the trigger' on a given investment.

Two other Carlyle-controlled companies, Composite Structures and Vought Aircraft, are well placed to profit from the boom in aerospace spending that has been fostered by the Bush administration's air power-driven regime changes in Afghanistan and Irag. The two companies are involved in supplying components for everything from the Army's Apache attack helicopter, to the Air Force's C-117 transport plane, to the B-2 bomber, to both current and nextgeneration combat jets. With existing aircraft like the Lockheed Martin F- 16, the Boeing F- 18, and the Lockheed Martin F-117 seeing heavy duty-and undergoing substantial wear and tear-in the air wars in Iraq, suppliers of aircraft components like Composite Structures and Vought are well placed to receive more orders to shore up the Air Force's current inventory. Add to that the Pentagon's three new fighter plane programs - the Lockheed Martin/Boeing F-22 fighter, the Lockheed Martin F-35 Joint Strike Fighter, and the Boeing/Northrop Grumman F/A- 1 8E/F aircraft carrier-based combat aircraft and the business in supplying parts for new combat planes will increase. Donald Rumsfeld was allegedly going to reconsider the need for three new combat planes during the defense policy review he conducted when the Bush administration first took office, but he lacked the courage to do more than nibble at the edges of these massive programs, which together may cost U.S. taxpayers \$350 billion or more over the next two decades. Never mind the fact that neither Iraq, nor the Taliban, nor any of the other countries on the Pentagon's hit list have any real air power to speak of, or that independent studies have shown that our existing combat aircraft fleet, with the occasional upgrade, can guarantee the United States air superiority for the foreseeable future. The Air Force, the contractors, and the members of Congress in states and districts where these planes are built want their pet programs to be funded.

While Composite Structures and Vought supply components for military and civilian aircraft, another Carlyle-owned company, Lier Siegler Services, provides logistical and maintenance services to governments ranging from Saudi Arabia-as part of the Saudi "Peace Hawk" program-to the United States, where it holds Pentagon contracts for work on the F-5 and F-15 combat planes and the Bradley Fighting Vehicle (a product of its fellow Carlyle-owned

company, United Defense).

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Last but not least, Carlyle's Federal Data Systems Corporation has been described as "the premier provider of information technology services to the U.S. government," with contracts in place with the Internal Revenue Service, the U.S. Air Force, and many other federal agencies.

Not content with its incredible access and influence over the administration of George W. Bush, Carlyle continues to expand aggressively. At the end of the Clinton administration, it picked up two well-connected alumni, outgoing Federal Communications Commission director William Kennard and outgoing Securities and Exchange Commission (SEC) chairman Arthur Levitt, in an effort to "round out" its domestic political portfolio with a few high-profile Democrats. In mid-2002 the company helped launch the China Venture Capital Association, a group that Briody describes as "a nebulous organization charged with warding off corruption in China and strengthening ties with the Chinese government. Later that same year, Carlyle bought Qinetiq, the former research and development arm of the British Ministry of Defense, leading Fiona Draper, a spokesperson for the union that represents the workers at the former government agency, to question whether "given Carlyle's fairly opaque structure, there must be concerns about whether undue influence may be brought to bear on the British government.

At bottom, Carlyle is just an investment firm, with no particular political agenda. However, there is one area where the company's influence could have a negative impact on U.S. security: in our policy toward Saudi Arabia. Not only do many of Carlyle's investors come from the Saudi Kingdom, but for years the company was under contract to run the Saudi "offset" program, a program of targeted investments in Saudi Arabia that recipients of Saudi arms contracts were required to engage in as a condition of sale. For example, when the British government sold Saudi Arabia the Tornado aircraft, or Boeing sold Riyadh a new batch of F-I5s, the exporting entity would be required to invest a certain amount of money into the Saudi economy as an "offset" to the billions that the Saudis were spending on foreign aircraft. It was essentially a system of legalized bribery. Carlyle's contract to help the Saudi regime run this program (which has since lapsed) offered its executives all manner of opportunities to influence and approach members of the royal family about investing in one of Carlyle's funds. Its financial links to the Saudi royal family mean that Carlyle does not encourage or cooperate with investigations into Saudi citizens who may have funded or otherwise aided and abetted the September 11 hijackers. Carlyle's ties to wealthy Saudi investors are undoubtedly one of the reasons that the administration of George W. Bush hasn't pressed the Saudi regime more vigorously to supply information on Saudi citizens who may have helped AI Qaeda.

In fact, Carlyle executive and Bush political confidante James Baker is representing key members of the Saudi government against a \$1 trillion law suit being brought against them by family members of victims of the September 11 terror attacks. His law firm, Baker Botts, is defending Saudi defense minister Prince Sultan Bin Abdul Aziz against charges that he funneled regular payments to Islamic charities that were fronts for Osama Bin Laden's terror network. The firm is well-positioned to help its Saudi clients. Not only did Baker Botts go to bat for George W. Bush in the Florida recount wars of November and December 2000, but George W. Bush has chosen Bob Jordan, a former partner at Baker Botts, to be his ambassador to Saudi Arabia.

When it comes time to press members of the Saudi elite for cooperation in cutting off the funding sources of Al Qaeda and other terror groups, whose interests will James Baker and Bob

Jordan be acting on, their long-time Saudi clients, or America's?				
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How will President George W. Bush personally make millions (if not billions) from the War on Terror and Iraq? The old fashioned way. He'll inherit it.

Meet The Carlyle Group

Former World Leaders and Washington Insiders Making Billions in the War on Terrorism

Bush

Co de l

Former US President and Vice President Former Director of the CIA



Carlucci

and Deputy Director of the CIA



Former Secretary of State and Sec. of Treasury



White House **Budget Advisor** Bush / Clinton Administrations



Former President of the Philippines



Former Prime Minister of England



Inside the Secret World of The Carlyle Group by Dan Briody **NPR Interview**

Carlyle Senior Advisor Retired 10/03 Shareholder

Carlyle Chairman Emeritus More on Carlucci

Carlyle **Senior Counselor** More on Baker

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EXPOSED: The Carlyle Group

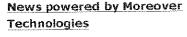
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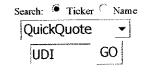
The ex-presidents' club The Guardian Oliver Burkeman and Julian Borger Wednesday October 31, 2001

It is hard to imagine an address closer to the heart of American power. The offices of the Carlyle Group are on Pennsylvania Avenue in Washington DC, midway between the White House and the Capitol building, and within a stone's throw of the headquarters of the FBI and numerous government departments. The address reflects Carlyle's position at the very center of the Washington establishment, but amid the frenetic politicking that has occupied the higher reaches of that world in recent weeks, few have paid it much attention. Elsewhere, few have even heard of it...

But since the start of the "war on terrorism", the firm - unofficially valued at \$13.5bn - has taken on an added significance. Carlyle has become the



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thread which indirectly links American military policy in Afghanistan to the personal financial fortunes of its celebrity employees, not least the current president's father. And, until earlier this month, Carlyle provided another curious link to the Afghan crisis: among the firm's multi-million-dollar investors were members of the family of Osama bin Laden

Carlyle's Way Red Herring Business Magazine Dan Briody, author of The Iron Triangle Wednesday January 8, 2002

Like everyone else in the United States, the group stood transfixed as the events of September 11 unfolded. Present were former secretary of defense Frank Carlucci, former secretary of state James Baker III, and representatives of the bin Laden family. This was not some underground presidential bunker or Central Intelligence Agency interrogation room. It was the Ritz-Carlton in Washington, D.C., the plush setting for the annual investor conference of one of the most powerful, well-connected, and secretive companies in the world: the Carlyle Group. And since September 11, this little-known company has become unexpectedly important...

And as the Carlyle investors watched the World Trade towers go down, the group's prospects went up. In running what its own marketing literature spookily calls "a vast, interlocking, global network of businesses and investment professionals" that operates within the so-called iron triangle of industry, government, and the military, the Carlyle Group leaves itself open to any number of conflicts of interest and stunning ironies. For example, it is hard to ignore the fact that Osama bin Laden's family members, who renounced their son ten years ago, stood to gain financially from the war being waged against him until late October, when public criticism of the relationship forced them to liquidate their holdings in the firm. Or consider that U.S. president George W. Bush is in a position to make budgetary decisions that could pad his father's bank account. But for the Carlyle Group, walking that narrow line is the art of doing business at the murky intersection of Washington politics, national security, and private capital; mastering it has enabled the group to amass \$12 billion in funds under management.

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Korea Times

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My dad

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Industry Information

- Financial Services
 - o Investment Firms (primary)
 - Venture Capital

Top Competitors

- Hicks Muse
- KKR
- Texas Pacific Group

12 Competitors Listed For Carlyle Group

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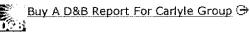
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The Carlyle Group: ex-government officials cash in

By Shannon Jones 16 May 2001

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The incestuous ties between the Bush administration and the corporate world are highlighted by its relationship with the Carlyle Group, a leading private equity firm.

Private equity companies buy undervalued businesses and then resell them for a profit. It is a highly profitable field open to only the wealthiest players. It has returned an average profit of 34 percent per year over the past decade.

The Carlyle Group became a major force on the world financial scene by employing prominent ex-officeholders, such as former President George Bush, to provide a foot in the door to government ministries around the world.

Recent activities of the senior Bush include a meeting last fall with King Fahd of Saudi Arabia. Bush also met with the prime minister of South Korea and other government officials, paving the way for Carlyle to acquire KorAm Bank, considered an important prize because of its relatively strong financial position. Each speech he gives on behalf of Carlyle generally nets the former president \$80,000 to \$100,000.

Carlyle's ties to the Bush family date back more than a decade. In 1990 Carlyle placed George W. Bush on the board of directors of one of its subsidiaries, Caterair, an airline catering company.

Charles Lewis, executive director of the Center for Public

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Integrity, commented, "Carlyle is as deeply wired into the current administration as they can possibly be. George Bush is getting money from private interests that have business before the government, while his son is president. And, in a really peculiar way, George W. Bush could, some day, benefit financially from his own administration's decisions, through his father's investments."

In addition to the elder Bush, Carlyle employs former Secretary of State James Baker and former British Prime Minister John Major. The firm's advisory board lists such international figures as former President Fidel Ramos of the Philippines and the former prime minister of Thailand. Karl Otto Pohl, former president of Germany's Bundesbank, is also an advisor.

According to a report in the March 5 edition of the *New York Times*, "Carlyle has ownership stakes in 164 companies which last year employed more than 70,000 people and generated \$16 billion in revenues. About 450 institutions—mainly large pension funds and banks—are Carlyle investors...

"The California state pension fund invested \$305 million with Carlyle, and the Texas teachers pension fund—whose board was appointed when George W. Bush was governor—gave Carlyle \$100 million to invest in November."

Carlyle is reportedly the eleventh largest defense contractor in the US because of its ownership of companies making tanks, aircraft wings and other equipment. It is also heavily invested in telecommunications, another field that is strongly affected by government policy.

Frank Carlucci, a former defense secretary under President Ronald Reagan, who is Carlyle's chairman, met with his former college classmate Donald Rumsfeld, Bush's secretary of defense, in February. The two reportedly spoke about "military matters" at a time when Carlyle has billions of dollars worth of defense projects under consideration by the government.

Carlyle is currently pushing for funding of the Crusader heavy-duty tank, which is built by one of the companies it owns. Carlyle recently lodged a complaint with the government after another one of its companies lost a \$4 billion contract to make a lightweight combat vehicle.

See Also:

The Bush cabinet: a government of the financial oligarchy [16 May 2001]

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